show profits. The very small shops and plants were in some cases taken back by their former owners when they had survived and any provisions about the use of hired labor were tacitly forgotten in the first flush of the New Economic Policy.

All of these measures were interpreted by the great mass of the Ukrainian people as a recognition of the validity of human experience. There were, of course, keen realists who gave full credence to the declarations of Lenin that the Soviets had never wavered in their objections and were using these concessions only as a means of reviving the life of the country and strengthening their own position. At first this did not seem to be true and it was only as conditions really settled down and a semblance of prosperity returned that it became possible to note the steadily increasing pressure which the government exerted.

In the same way the currency reforms were not without their own influence. In 1923 the government introduced a new currency, the chervonets, which was ostensibly based on a gold standard, to take the place of the old depreciated paper. Nevertheless, the latter was allowed to circulate in the rural districts with the result that its value continued to fall and it became more and more difficult for the peasants to satisfy their needs for manufactured goods which were priced in the new currency. This produced the so-called "scissors," for with the restoration of industry, the value of manufactures continued to rise, while the prices of agricultural products continually fell.

The political system was still not clear.[1] The new regulations were introduced in the Council of Commissars in Moscow and it was emphatically stated that they were for the Russian Soviet Federated Socialist Republic, but Ukraine and also the other Soviet Republics put into practice the same resolutions, often without any decree by the ostensibly independent government.

The key to this enigma lay in the nature of Communist discipline. In theory and on paper the Soviet regime was thoroughly democratic in the broad sense of the word. There was an elaborate scheme of elections to the village and the higher Soviets, and even though this was weighted very heavily to provide increased repre-

[1] [During NEW ECONOMIC POLICY -- Analyst]

dred and eighty karbovantsy, they would be required to pay twenty-two and a half karb. in taxes, twenty in rent, fifty as a special tax and they would be required to volunteer to take at least two hundred in government bonds. 241 651 474 465

Even this did not cover the total payments to the government. With its usual love of double-talk and subterfuge, the government, which controlled every branch of human activity in the USSR, talked of the establishment of socialism and levied indirect taxes on all transactions so that the actual cost to the villagers of any manufactured article was about three times what it cost the government as producer. The whole subject was carefully veiled as a state secret to protect the Soviet Union against capitalist intrigues but the unfortunate population were the unwilling contributors to this new order of life.

Under such conditions it is extremely difficult to pierce the veil of percentages as to cost and production and give a reliable estimate as to the amount of money received for the government or the relationship between the sums spent in maintaining the operation of the Moscow-controlled factories in Ukraine and the amount spent upon the needs of the population either individually, as families or as citizens of the UkSSR or of the UkSSR as a governmental unity within the Soviet sphere. From those figures which the Soviet has let out, it is possible to see that the yearly budget of the Ukrainian Soviet Republic has run from 2½-5% of the budget of the USSR while the population has been at least 18% of the total population. [652]

With the villages compelled to yield the last pound of grain, etc., that could be extracted by force, and receiving in return almost no manufactured goods, the position of the city workmen and the intelligentsia was little better. The wages of the workmen were always insufficient, the housing conditions were hardly endurable, and the only point of betterment was that the larger places and some of the plants especially favored by the regime received more manufactured goods of a poor quality and at a high price which the fortunate people might be able to secure. 369 511

8: Protocol G-4 (no date) 1920 RD1 Ukraine RD1



648 Asia generally has peculiar commercial relations
431 with Russia, the duties on both sides being as a rule low, while numerous arrangements for reciprocal concessions have been made, notably with Persia, the Turkish Empire, and China.

## (D) FINANCE

### (1) PUBLIC FINANCE

652 The Russian Imperial revenue is largely raised in indirect taxes. The budget for 1911 shows the following revenue figures:

| | | *Roubles.* |
|---|---|---|
| *Direct taxes* | | 210,000,000 |
| *Indirect taxes:* | | |
| Liquor | 42,000,000 | |
| Tobacco | 69,000,000 | |
| Sugar | 123,000,000 | |
| Petroleum | 44,000,000 | |
| Matches | 18,000,000 | |
| Customs | 289,000,000 | |
| | | 585,000,000 |
| *Duties:* | | |
| Stamps, fees on transfers, harbour dues, railway dues | | 169,000,000 |
| *Royalties:* | | |
| Mines, mint, posts and telegraphs, and spirit monopoly | | 849,000,000 |
| State property, including railways | | 765,000,000 |
| Remainder | | 122,000,000 |
| Total | | 2,700,000,000 |

The principal spending departments were the Ministries of Ways and Communications, War, and Finance, and the Public Debt service. These accounted for three-fourths of the expenditure.

s: Prothero G-4 (no date) 1920 RD1 Ukraine RD1



In 1910 the revenue receipts from the respective Governments of the Ukraine were as follows:

| | *Roubles.* |
|---|---|
| Volhynia | 24,400,000 |
| Podolia | 24,300,000 |
| Kiev | 128,900,000 |
| Chernigov | 18,400,000 |
| Poltava | 24,900,000 |
| Kharkov | 46,200,000 |
| Yekaterinoslav | 37,300,000 |
| Kherson | 80,400,000 |
| Taurida | 12,800,000 |
| Total | 397,600,000 |

The total revenue of European Russia for the same year was 1,522,800,000 roubles. In the period 1906–10 the revenue showed a good expansion in the Governments of Kiev, Yekaterinoslav, and Kherson. Elsewhere in the Ukraine it appeared to be stationary.

After the Imperial authorities, the *zemstvos* are the most important bodies authorized to raise taxes. Their revenue comes from taxes on land, houses, and factory buildings, and from licences for distilleries, 69 per cent. being derived from the land tax. Their expenses are (1) obligatory: local civil administration, upkeep of district roads, bridges, &c., and health service; (2) facultative: public instruction and provision of medical attendance in rural districts. Their functions have gradually spread in a somewhat irregular manner, and vary very much according to the degree of energy shown by the committees. Some have embarked on commercial schemes, such as the installation of telephone systems or trade in agricultural machinery; others perform only the minimum of their duties.

Five Governments of the Ukraine have a *zemstvo* organization, and their budgets of receipts and expenses, which appear to balance exactly, are as follows for the years 1906 and 1910:

9: Prothero G-4 (no date) 1920 RD1 Ukraine RD1



| *Government.* | 1906. *Roubles.* | 1910. *Roubles.* |
|---|---|---|
| Yekaterinoslav . . | 5,210,000 | 8,241,000 |
| Poltava . . . | 6,737,000 | 8,750,000 |
| Taurida . . . | 3,599,000 | 4,576,000 |
| Kharkov . . . | 5,753,000 | 9,168,000 |
| Kherson . . . | 3,808,000 | 5,542,000 |

Thirty-one towns in the Ukraine have municipal administrations, and can raise taxes and contract loans for purposes similar to those of the *zemstvo* budgets. A considerable debt has been incurred. The towns of Kiev, Kharkov, and Odessa have borrowed money for municipal purposes in foreign markets; of a total debt of 53,000,000 roubles, these three towns account for 35,000,000 roubles.

The *mirs* or local communes can also raise some taxes for purely local purposes. Obligatory taxes are levied for local communal administration, provision of granaries for storing food-stuffs, upkeep of local roads on peasant lands, and insurance against fire and inundations. Facultative powers of taxation are in the hands of the *mirs* for the building and maintenance of churches, schools, and hospitals, and other special local needs. There is a great deal of irregularity in the levying and administration of these taxes.

### (2) Banking

The banks of the Ukraine fall into several well-defined groups. In the first place come banks which are State or semi-State institutions. These are the Imperial State Bank, the Land Bank of the Nobility, the Peasants' Land Bank, and the State Savings Bank.

The Imperial State Bank is a Government institution with a wide sphere of activity. It controls the currency and note issue, being the only bank issuing notes. It undertakes general banking and bill broking, besides having close relations with the Treasury for revenue, loan, and other purposes. It makes large loans to private banks; up to 1910 the total amount was £189,000,000. It also advances money on merchandise, principally on

9: Prothero G-4 (no date) 1920 RD1 Ukraine RD1



grain. The bank's net profits in 1904 were £1,200,000, and in 1910 £2,400,000. The capital is £5,000,000, and the reserve £500,000.

The Land Bank of the Nobility was founded after the liberation of the serfs to make advances on land, to finance the nobility involved in the transfer of part of their estates to the peasants, and to prevent the ruinous hypothecation of their land elsewhere.

The Peasants' Land Bank, founded in 1883, renders similar services to the peasants, advancing money on land to increase peasant holdings, to purchase agricultural machinery or live-stock, and for other objects.

The State Savings Banks carry out the function their title suggests, and also undertake certain minor insurance business. Branches can be opened in all towns and villages. The management is supervised by the Imperial State Bank. The banks were started in 1862 with 140,000 accounts and £850,000 in deposits, and in 1907 had 6,940,000 accounts and £128,000,000 in deposits.

Joint-stock land banks form the next group of important banks. There are four in the Ukraine, with resources as follows:

| *Bank.* | *Share Capital.* | *Reserves.* | *Bonds in circulation.* |
|---|---|---|---|
| | £ | £ | £ |
| Kharkov . . . | 1,170,000 | 200,000 | 12,000,000 |
| Poltava . . . . | 800,000 | 600,000 | 11,000,000 |
| Bessarabia–Taurida . . | 700,000 | 500,000 | 11,000,000 |
| Kiev . . . . | 600,000 | 400,000 | 9,500,000 |

These banks advance money on agricultural security on a business basis, and make considerable profits.

Mutual credit associations form another group, and are spread all over the country, their aggregate turnover being very great. They vary very much in size and extent of operations, but in general their rate of interest is high.

Trading banks form the last great group. They are usually joint-stock concerns, and are carried on according to the German model, their foundation being

[Ukrainian constitution as of Nov. 21, 1949]



631 Art. 79. On the expiration of the terms of office of the regional, area, district, city settlement or village Soviets of Working People's Deputies, their executive and administrative organs retain their powers until the newly elected Soviets shall have formed new executive and administrative organs.

## Chapter VI. The Budget of the Ukrainian Soviet Socialist Republic

[643] 644 [645] Art. 80. The state budget of the Ukrainian SSR is drawn up by the Council of Ministers of the Ukrainian SSR and submitted by it to the Supreme Soviet of the Ukrainian SSR for its approval.

Upon its approval by the Supreme Soviet of the Ukrainian SSR the state budget of the Ukrainian SSR is published for general information.

Art. 81. The Supreme Soviet of the Ukrainian SSR elects a Budget Commission, which reports its conclusions on the state budget of the Ukrainian SSR to the Supreme Soviet.

Art. 82. The report on the fulfilment of the state budget of the Ukrainian SSR is approved by the Supreme Soviet of the Ukrainian SSR and published for general information.

651 652 Art. 83. The budgets of the regional, area, district, city, settlement and village Soviets include the revenues from the local economy, deductions from the state revenues collected within their territory and likewise receipts from local taxes and imposts in amounts fixed by the laws of the USSR and the Ukrainian SSR.

## Chapter VII. The Courts and the Procurator's Office

692 Art. 84. In the Ukrainian SSR justice is administered by the Supreme Court of the Ukrainian SSR, the Regional and Area Courts, the Special Courts of the USSR established by decision of the Supreme Soviet of the USSR, and the People's Courts.

[693] Art. 85. In all Courts cases are tried with the participation of people's assessors, except in cases specially provided for by law.

Art. 86. The Supreme Court of the Ukrainian SSR is the highest judicial organ of the Ukrainian SSR. The Supreme Court of the Ukrainian SSR is charged with the supervision of the judicial activities of all the judicial organs of the Ukrainian SSR.

[646] Art. 87. The Supreme Court of the Ukrainian SSR is elected by the Supreme Soviet of the Ukrainian SSR for a term of five years.

Art. 88. Regional and area courts are elected by regional and area Soviets of Working People's Deputies for a term of five years.

Art. 89. People's courts are elected by the citizens of the district on basis of universal, direct and equal suffrage by secret ballot for a term of three years.

695 [563] Art. 90. Judicial proceedings in the Ukrainian SSR are conducted in the Ukrainian language, persons not knowing the language being guaranteed every opportunity of fully acquainting themselves with the material of the case through an interpreter and likewise the right to use their own language in court.

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439 been food supplies, which in many Ukrainian towns constituted the only
648 food to be seen in shops in 1946. For fats and oils particularly the Ukrainian population has been entirely dependent on UNRRA aid.

## The U.S.S.R.'s Five-Year Plan, 1946-50

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649 UNRRA assistance to the Ukraine has been of necessity limited in scope and short-term in nature. Long after relief shipments are ended - and they are now all but complete - the Ukraine will still be working to rebuild its factories, cities, and farms. The main task of rehabilitation is therefore a long-term one, and depends upon long-range measures.

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185 On March 18, 1946, the Supreme Soviet of the U.S.S.R. adopted a Five-Year Plan, 1946-50, for the rehabilitation and development of the national economy of the Soviet Union. This plan is the fourth of a series of Five-Year Plans[1] designed to increase the productivity of Soviet farming and industry, and in general to raise the standard of living of the whole population. As stated by the Supreme Soviet of the U.S.S.R., the principal aims of the Five-Year Plan in 1946-50 are to rehabilitate the devastated regions of the country, to recover the pre-war level in industry and agriculture, and then considerably to surpass that level.

●[652] The new Five-Year Plan provides that nearly one-third of the capital investments for the entire Soviet Union in 1946-50 (49,500 million roubles out of a total of 250,300)[2] are to be spent on the restoration of the Ukraine. Of this 49,500 million, 5,469 million will be used for works under the Ukrainian Republic's jurisdiction.

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727 In the next five years all the destroyed cities of the Ukraine -
362 particularly Kiev, Kharkov, Chernigov, Odessa, Dniepropetrovsk, Stalino, and Zaporozhie - are to be rebuilt and their municipal services restored. Housing is to be replaced as speedily as possible; in 1946-50, 175,120,000 square feet of state-owned housing are to be built, of which 12.65 million square feet are to be made available by local Soviets. The amount of privately owned housing to be built before 1950 is fixed at 36.3 million square feet.

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185 Also under the Five-Year Plan Ukrainian agriculture is to be rehabilitated; the crop area for 1950 is planned at 30.5 million hectares. By 1950 the Ukraine is scheduled to be producing about 20 per cent. of the grain harvested in the U.S.S.R. (approximately the same tonnage as in pre-war years); 60 per cent. of the sugar beet (about 6 per cent. more than pre-war); and the potato harvest is fixed for 23 million tons, 1½ millions more than in 1940.

000 Industry is to be revived; railroads and other forms of transport

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1 First Five-Year Plan, 1929-32; second, 1933-37; third, 1938-42.

2 Estimated at 1945 prices.

727 Industry is to be revived; railroads and other forms of
433 transport are to be rebuilt; the mining of coal is to regain and then to outstrip the pre-war output; the production of machinery and equipment for both light and heavy industry is to be restored; and to do this, iron and steel production is to be increased until it surpasses pre-war. War damaged power stations are to be rehabilitated, and additional ones are to be constructed, particularly in smaller communities.

[185] Altogether the output of industrial enterprises in the Ukrainian S.S.R. in 1950 is envisaged at 9,200 million roubles, of which the output of state industries under local jurisdiction and of industrial co-operatives is estimated to comprise 3,100 million roubles[1].

The volume of industrial production in the whole U.S.S.R. in 1950 - that is, the last year of the Five-Year Plan - is fixed at 205,000 million roubles (in 1926-27 prices). Compared with 138,500 million roubles in 1940, this represents an increase in industrial output of 48 per cent.

727 Particular stress in the Five-Year Plan is laid on the development
433 of the Western Ukraine and the Transcarpathian Region. Lvov, the main
361 city of the Western Ukraine, is to be developed into a major industrial centre, where there are to be built and put into operation an automobile assembly plant, electrical, telephone, and telegraph-equipment manufacturing plants, a glass works, a knitting mill, and food processing plants.

In the Transcarpathian Region, new light industry plants are to be constructed, and the mining of brown coal (lignite) is to be organized and extended. Provision is to be made for the rehabilitation and development of the woodworking and wood chemical industries and of farming, particularly fruit-growing, viticulture, livestock breeding and apiculture, as well as of the food processing industries. The farms of the Transcarpathian Region are to be given considerable state assistance in the form of agricultural machines, fertilizers, and credits.

● [652]

000 A more detailed discussion of the Five-Year Plan in connection with farming and the various industries follows in later sections of this report.

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[475] It must be remembered that a number of enterprises although situated in the Ukrainian Republic are not under the Republic's jurisdiction, but under the jurisdiction of the Soviet Union Government.

Agricultural Development of the Incorporated Territories

311 According to the Concise Yearbook of Poland, London, 1941, there
425 were in 1938 over four million hectares of arable land and 190,000
725 hectares of orchards and market gardens in Western Ukraine. The principal crops grown were wheat, rye, barley, oats, potatoes, and sugar beet.

Before 1939 farming in Western Ukraine was carried out on a very primitive level. After the incorporation of this region into the Ukrainian Republic, however, great changes were made. On October 28, 1939, the People's Assembly of Western Ukraine decreed the confiscation of large land estates, and subsequently, according to the Moscow periodical, Soviet State and Law (1941-III), over one million hectares were distributed among 400,000 landless farm workers and small holders. Similar changes occurred in the other incorporated territories. In the northern part of Bukovina, (in the Chernovitsy Province joined to the Ukraine) 200,000 hectares were distributed among landless workers, while in the Izmail (former Akkerman) Province, Bessarabia, 65,000 hectares were divided.

474 Apart from the confiscation of large estates and the re-distribution
241 of the land, two further processes could be observed in these areas
178 from the time of their incorporation until Germany attacked the U.S.S.R.: the organization of peasant holdings into collective farms, and the increased mechanization of agriculture. By September 1940 there were 400 collective farms in Western Ukraine; by January 1, 1941, the number had increased to 571, in which there were organized 34,000 peasant farm holdings. (These numbers do not include 535 "initiative" groups for the creation of collective farms with 14,000 peasant farm holdings.) In Northern Bukovina (according to the same source Soviet State and Law, 1941-III) the first seven collective farms with 3,000 hectares were also founded.

475 Mechanization also advanced rapidly. In the western part of the
407 Ukraine 170 Machine and Tractor Stations were established in the first year of incorporation into the Republic. In 1941 in the Izmail Province, 27 Machine Tractor Stations were being built, and in the Chernovitsy Province, 13.

475 In the Transcarpathian region (incorporated into the Ukraine in
407 June, 1945), nine Machine and Tractor Stations were established in
652 1946 to assist the work of the fields. The Five-Year Plan 1946-50 provides for special attention to the farms of Transcarpathian Ukraine in the form of machines, fertilizers and credits to increase agricultural production in this region, the pre-war output of which was as follows.

enterprises; and in accordance with the provisions of the UNRRA agreement, the Ukrainian Government uses the proceeds for further relief and rehabilitation work within the country. Food and soap supplies for example are sold through regular trade channels to ration-card holders, or are delivered to organizations which use them for factory or community feeding. Clothing also is sold in stores against ration cards, or in the case of workers having a high rate of clothing and shoe consumption, against special orders. Used clothing is distributed free of charge to invalids of the war, families of war dead, pensioners, or other recipients of social welfare. Medical supplies and equipment are transferred free of charge to the Ministry of Health. The distribution of agricultural and industrial equipment varies depending upon the nature of the supplies. Consumable items, such as seeds, jute, bagging, rope and industrial raw materials, are sold to collectives, state farms, co-operatives, or industrial enterprises. Capital equipment such as tractors, food processing machinery, or power generators is delivered free of charge to the recipient ministries or their subsidiary distribution organizations. Tractors in particular are delivered in this way to state-owned Machine Tractor Stations.

## Proceeds of Sale of UNRRA Supplies

Up to March 1, 1947, the sale of UNRRA supplies in the Ukraine had provided the government with 3,166,482,000 roubles[1] for additional relief and rehabilitation work in the Republic. Roughly 85 per cent. of this total resulted from sales of UNRRA food; 6 per cent. from the sale of clothing; and 9 per cent. from the sale of miscellaneous raw materials and agricultural supplies.

Of the cumulative proceeds up to March 1, about 21 million roubles had been used to pay the expenses of distribution, and 823,511 roubles had been spent to provide goods and services to the UNRRA Mission. Of the balance then remaining available (3,144,655,500), nearly half had been used for rehabilitation work at the Republican (state) level of government; 1,324,239,000 roubles had been transferred to regional executive committees (the next level of government) for expenditure on local projects; and about 391 million roubles in cash was still available for future use.

## State Relief and Rehabilitation Projects

At the state level rehabilitation work carried on from the beginning of UNRRA deliveries up to March 1, 1947, amounted to 1,429,060,000 roubles, and was divided among four main categories; rehabilitation of the national economy, 74 per cent. of the total state-level expenditures; health services, 14 per cent.; children's institutions and schools, 11 per cent.; and social welfare, 1 per cent.

Rehabilitation of the National Economy. These expenditures are administered by the various ministries having productive capital works

[1] 21.36 roubles equals one pound sterling; 5.40 roubles equals one U.S. dollar (March 1947).

652 under their jurisdiction. For example, capital works, repairs,
657 and equipment for livestock raising centres, piggeries, cattle sheds, slaughterhouses and refrigerators (under the Ministry of Cattle Breeding); vineyards, orchards, repairs of irrigation facilities (under the Ministry of Technical Agricultural Production); repairs to barns and agricultural implements (under the Ministry of Agriculture); and rehabilitation of the brick and ceramic industry (under the Ministry of Home Construction).

Health Services. These expenditures are administered by the Ministry of Health, and include the feeding of patients, and repairs and equipment for hospitals and health service agencies.

[658] Children's Institutions (over four years) and Schools. These expenditures are handled by the Ministry of Education, and include the feeding of children; and capital works, repairs and equipment for schools and children's homes.

Social Welfare Services Directed towards the Betterment of General Well-being. These expenditures are administed by the Ministry of Social Welfare and include such services as repairs and maintenance of social welfare agencies, and assistance to invalids.

Local Rehabilitation

648 As at March 1, 1947, about 41 per cent. of the gross proceeds of
727 UNRRA sales had been transferred to regional executive committees of
185 the government for use in the local and district economy. The local
731 projects - which are undertaken after approval by the state authorities and are subject to regular reporting and inspection - are similar in character to those carried out by the Republican Government Ministries. However, there is a considerable shift in emphasis. For example, at the regional level, nearly 57 per cent. of the total proceeds at their disposal was utilized for health services (hospitals, nurseries), 35 per cent. for children's institutions, 5 per cent. for repairs of public and industrial institutions, and 2 per cent. for the building of schools and repair of clubs.

## Deliveries of UNRRA Supplies

648 In the original agreement between UNRRA and the Ukrainian Govern-
731 ment was a provision that the Administration would "strive within the limits of its resources" to procure and deliver the Ukraine's share of relief and rehabilitation supplies before July 1, 1946. In the early months of 1946, however, it became clear that procurement difficulties and transport hold-ups would prevent a great part of the supplies from being delivered in time. The UNRRA-Ukrainian Agreement was therefore extended to the end of 1946.

From December 1945 (when UNRRA deliveries to the Ukraine began) up to June 30, 1946, (the time at which they were originally scheduled